

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

166.3
M 68
cop. 2



166.3
M 68
cop. 2
JUN 17 1952
U. S. DEPARTMENT OF AGRICULTURE

Selecting and Electing DIRECTORS of FARMERS' COOPERATIVES

BY

NELDA GRIFFIN

H. N. WEIGANDT

K. B. GARDNER

COOPERATIVE RESEARCH AND SERVICE DIVISION
FARM CREDIT ADMINISTRATION
U. S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

MISCELLANEOUS REPORT 161

APRIL 1952

INV. '60

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM CREDIT ADMINISTRATION
WASHINGTON 25, D. C.
I. W. DUGGAN, GOVERNOR

COOPERATIVE RESEARCH AND SERVICE DIVISION

HAROLD HEGES, CHIEF

JOSEPH G. KNAPP, ASSOCIATE CHIEF

Boards of directors and executive employees constitute the management of farmers' cooperatives. There has developed a widespread recognition of the need for better qualified directors, more care in their selection and methods of election, and a greater recognition of their duties and responsibilities. This analysis of present methods employed in selecting directors is designed as a basis for offering recommendations for improving procedures.

The Cooperative Research and Service Division conducts research studies and service activities relating to problems of management, organization, policies, merchandising, sales, costs, competition, and membership arising in connection with the cooperative marketing of agricultural products and the cooperative purchase of farm supplies and services; publishes the results of such studies; confers and advises with officials of farmers' cooperative associations; and cooperates with educational agencies, cooperative associations, and others in the dissemination of information relating to cooperative principles and practices.

COPIES OF THIS PUBLICATION MAY BE HAD ON REQUEST
WHILE A SUPPLY IS AVAILABLE FROM THE
DIRECTOR OF INFORMATION AND EXTENSION
FARM CREDIT ADMINISTRATION
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D. C.

CONTENTS

	<u>Page</u>
Summary-----	i
Classification of associations-----	2
Scope of replies-----	4
Bylaw qualifications for membership-----	5
Training board members-----	6
Selecting nominees for membership on the boards of directors-----	9
Methods used in nominating directors-----	9
Time for appointing nominating committees-----	14
Reporting names and qualifications to the membership-----	14
Number of nominees for each board vacancy-----	15
Additional nominations from the floor-----	16
Election of board members-----	16
Basis of membership voting-----	16
Voting methods used-----	18
Methods of casting ballots-----	19
Proxy voting-----	20
Delegate system of voting-----	20
The board of directors-----	22
Size of board-----	22
Alternate board members-----	23
Term of office-----	23
Rotation and limit on continuous service-----	24
Meetings of board of directors-----	25
Frequency of meetings-----	25
Number of directors needed for a quorum-----	26
Who attends meetings-----	26
Compensation of directors-----	27
Compensation for attendance at meetings-----	27
Compensation for part-time services-----	29
Directors as full-time employees-----	30
Conclusions-----	31

SUMMARY

Cooperatives have become increasingly aware of the need for capable directors. This prompted a study of methods of selecting and electing them. The Cooperative Research and Service Division mailed questionnaires late in 1949 to 1,849 farmers' marketing and purchasing associations.

Questionnaires were sent to all large scale associations, but to only one out of nine of the small scale group. The mailing sample in the small scale group was designed to reflect geographical location, commodities handled, and services rendered. Forty-six percent of the small scale associations receiving questionnaires replied. Sixty-four percent of the large scale cooperatives replied.

Questions asked covered training of new or prospective board members, bylaw qualifications for board membership, nominating procedure, voting methods used, number of members on the board and their terms of office, frequency of board meetings, compensation of board members, and directors as employees.

Board members must be active members of the association in 96 percent of the large scale associations and 98 percent of the small scale organizations.

Programs for developing and training prospective members of the board of directors have been adopted by only 3.1 percent of the small scale associations and 3.9 percent of the large scale organizations. A wide variety of plans was reported.

Directors are nominated from the floor at election meetings by the larger number of associations of both the small and large scale groups. Nominating committees were used by 18 percent of the small scale and 22 percent of the large scale associations. Member associations and district meetings were the points at which 34 percent of the directors of large scale cooperatives were nominated. About 10 percent of the small scale associations nominated directors selected at members' caucuses. About 18 percent of the large scale cooperatives used this method. The use of nomination petitions was limited to 4 percent of the small scale associations and 2.9 percent of the large scale. Less than 2 percent of both small and large scale associations used mail ballots.

In only about 10 percent of the associations, both small and large scale, was a nominating committee required by the bylaws. In the remainder of the organizations using nominating committees it was not compulsory.

In those associations using the nominating committee method of selecting director nominees, about 40 percent reported names and qualifications of nominees in advance of the election meeting.

Fifty-seven percent of the small scale associations selected 2 nominees and 13 percent named 3 nominees for each vacancy to be filled at the election of board members. Almost 65 percent of the large scale associations named only one nominee for each vacancy. Consideration must be given to the fact, however, that some of these nominees were selected at district or member association meetings where more than one nominee was entirely possible.

In electing directors 85 percent of the small scale associations and almost 78 percent of the large scale associations use the one-man one-vote principle. Secret ballot was used by 84 percent of the small scale associations and 59.3 percent of the large scale associations.

Eighty-two percent of the small scale and 58 percent of the large scale associations cast all of their votes for directors by direct vote. About 10 percent of both small scale and large scale organizations used proxy voting in varying degrees. Mail voting was used by 3.9 percent of the small scale associations and by 8.6 percent of the large scale group.

Alternate members on boards of directors were provided for by the bylaws of 20 percent of the small scale associations and by 18 percent of the large scale group of organizations.

Continuous service on the board of directors was limited by bylaw provision in only 11 percent of the small scale associations and 5 percent of the large scale cooperatives.

In approximately 85 percent of both the small scale and large scale associations a majority of directors constituted a quorum. Less than a majority of directors constituted a quorum at board meetings in 1.9 percent of the small scale and 7.3 percent of the large scale associations.

Board meetings were reported open to members and employees in 40 percent of the small scale and in 22 percent of the large scale organizations.

Directors were compensated for attendance at board meetings by 82 percent of the small scale and by 90 percent of the large scale associations. Rates of compensation varied widely with over 35 percent of the large scale associations paying more than 10 dollars per day plus expenses.

Rates of compensation were determined by the membership in 52 percent of the small scale and in 40 percent of the large scale organizations.

Board members acted as full-time employees in 10 percent of the small scale and in 14 percent of the large scale associations. In the small scale group the positions most frequently named were secretary, treasurer, or secretary-treasurer; general manager; and president. In the large scale group the same positions were named but the order was president; secretary, treasurer or secretary-treasurer; and general manager.

SELECTING AND ELECTING DIRECTORS OF FARMERS' COOPERATIVES

By

Nelda Griffin, H. N. Weigandt and K. B. Gardner
Agricultural Economists

The board of directors by law has the responsibility of managing the affairs of an association. The manager and other employees carry on their duties in accord with authority to do so only as the board of directors delegates responsibilities to them. As board members are the representatives of the member-owners of an association, the importance of selecting well-qualified individuals to serve on the board of directors cannot be too strongly emphasized. The growth in size of cooperatives, both at local and regional levels, together with the larger number of services performed by many of them has brought about an increased complexity in the job of the director.

Because some cooperatives have regarded the selection of directors as a perfunctory, routine matter, it has seemed desirable to determine the extent to which associations use different procedures in selecting and electing their directors.

Cooperatives are not alone in the need for critical examination of their procedures for selecting directors. A recent study of noncooperative corporations has pointed out the need for obtaining more competent directors. The conclusion emphasized that weaknesses in the processes of selecting directors arise primarily from heedlessness, shortsightedness, and a failure to understand adequately the management functions of boards of directors.¹ The same critical conclusion may be applied to procedures followed by some farmers' cooperatives.

A definite and widespread interest on the part of cooperatives in the subject of duties and responsibilities of boards of directors prompted the making of this study of present methods used by representative farmers' cooperative associations in selecting and electing their directors. This report is designed as the first phase of a larger study which will evaluate the functions and performance of boards of directors of farmers' cooperatives.

The effectiveness of a board of directors depends upon many factors. Of primary importance is the effort to select the most capable and desirable men to serve on the board. Procedures followed in nominating and electing members of the board must permit time to consider possible candidates

¹Melvin T. Copeland and Andrew R. Towl, *The Board of Directors and Business Management* (Boston, Division of Research, Harvard Business School, 1947), p. 180.

NOTE: The initial work on this study including part of the analysis of data was performed by H. N. Weigandt and K. B. Gardner. Further analysis of data and the preparation of the manuscript are largely the work of Miss Griffin.

and to acquaint an association's membership with their records of experience and capacity. Only then can there be a well-grounded selection of the best candidates for vacancies on the board.

In undertaking a study of methods of selecting and electing directors, the necessity for using mail questionnaires placed limitations on the extent and nature of material obtained. Evaluation of the effectiveness of the various procedures is not possible by this method, because this can be done only by studying the organization and operation of boards of directors.

The study was first directed, therefore, toward determining the methods by which prospective directors are nominated. Use of nominating committees was studied as one means of bringing about well considered selection of candidates for election to the board. Important considerations regarding this method of nomination involve the questions of whether the committee is appointed in advance of the election meeting; number of nominees per vacancy; and whether names and qualifications of nominees are reported to the association membership in advance of the annual meeting. Other principal methods included nomination from the floor at the election meeting; by members' caucus; and at district meetings.

Questions on election procedures studied included use of proxy voting, the secret ballot, acclamation, and other voting methods which may favorably or adversely affect free participation in the election on the part of the individual member.

Opinions vary with respect to the desirability of providing in the bylaws for rotating membership on boards of directors.

A measure of the extent to which cooperatives follow this procedure was deemed advisable.

Other information regarded as desirable relative to board members and board organization included rates of compensation, frequency of board meetings, and extent to which board members act as full-time employees of associations.

A final area of interest in selecting board members involves use of various training devices which might lead to the development of good material for board membership. More precise information as to the extent to which cooperatives employ junior boards of directors, or advisory councils, and hold meetings open to members or employees was needed.

CLASSIFICATION OF ASSOCIATIONS

Information in this report is presented showing a breakdown between small scale and large scale associations. Associations were classified as follows:

SMALL SCALE ASSOCIATION. A small scale association is essentially a local enterprise, serving a community, a county, or even several counties,

Individual farmers are the members of these small scale local cooperatives, and farmer-members make up the board of directors. These associations are for the most part incorporated, although a few unincorporated organizations may be included. Small scale associations may or may not be affiliated with an overhead organization. A local or small scale association usually performs only a limited number of the first steps involved in marketing operations. In the case of purchasing associations, practically all sales are at the retail level.

LARGE SCALE ASSOCIATION. A large scale cooperative is one that usually operates on a regional basis, serving a district comprising a number of counties, an entire State, or a number of States. All associations operating on terminal markets or performing wholesale purchasing operations were classified as large scale organizations.

Four types of associations classified as large scale for the purpose of this report are described as follows:

1. Federated association. This type of cooperative organization is made up of two or more small scale or local associations organized for the purpose of purchasing supplies or of marketing products for its member locals. Individual farmers are not members of the federated association, but are members of the local associations. Locals in turn are members of regional federations. Regional federations may be members of other federated associations.
2. Centralized association. A large scale centralized association is structurally like a small scale local association--individual farmers make up the membership. There are no autonomous local associations. Management control rests in a board of directors selected by individual members. Since the membership is spread out over a large territory the association may be divided into districts in order to select directors, to provide a medium of contact between the farmer members and the central organization, and to assist members in developing a sense of ownership and participation in the association.
3. Sales agency. This type of association is essentially a commission business engaged in the selling of farm products for individual farmers or local associations. Sales agencies may be either federated or centralized.
4. Collective bargaining association. A collective bargaining association negotiates with distributors, processors and other buyers over price, terms of sale, and other business arrangements involved in selling members' farm products. Its primary function is to bring buyer and seller together and to enable farmers to act together in their bargaining activities. (It should be pointed out that although all bargaining cooperatives have been classified with the large scale associations for the purpose of this study, not all of them serve large territories.)

SCOPE OF REPLIES

Questionnaires were mailed late in 1949 to 1,849 farmers' marketing and purchasing associations. The sample was taken from the listing of more than 10,000 farmer cooperatives which is maintained in the History and Statistics Section of the Cooperative Research and Service Division of the Farm Credit Administration. A questionnaire was sent to each large scale association, but to only one out of every nine of the small scale group. The mailing list was designed to reflect geographical location, commodities handled, and services rendered. The number of associations replying is shown in table 1.

Fifty-three percent of the associations receiving questionnaires responded--a total of 971. Of these, 557 were small scale or local associations and 414 were large scale. The percentage of replies was somewhat greater for large scale organizations than for locals; only 46 percent of the locals responded, whereas the response from the large scale cooperatives was 64 percent. As stated earlier the mailing list included all the large scale associations listed with the Farm Credit Administration and only one out of each nine of the locals. Table 1 shows the relative breakdown, by commodities, of questionnaires sent and returned.

Table 1. - Number of questionnaires sent and number and percent returned on the selection and election of boards of directors of farmers' cooperatives, 1949

Classification	Small scale		Large scale		Total associations		
	Sent	Returned	Sent	Returned	Sent	Returned	
		Number	Percent	Number	Percent	Number	Percent
Cotton and oilseeds-----	64	23	36	26	18	90	41
Dairy-----	265	140	53	245	137	510	277
Forage crops-----	16	6	38	3	2	19	8
Fruits and vegetables-----	110	56	51	112	64	222	120
Grains-----	240	113	47	32	28	272	141
Livestock-----	64	27	42	47	31	111	58
Nuts-----	7	3	43	7	5	14	8
Poultry and eggs---	31	13	42	19	12	50	25
Tobacco-----	0	0	0	17	13	17	13
Wool-----	22	10	45	30	16	52	26
Misc. marketing-----	23	5	22	3	3	26	8
Misc. commodities--	23	13	57	2	1	25	14
Service-----	56	16	29	5	4	61	20
Total marketing	921	425	46	548	334	1,469	759
Purchasing-----	278	132	47	102	80	380	212
Total marketing and pur-	1,199	557	46	650	414	1,849	971
chasing-----							53

Information was first tabulated by marketing and purchasing as well as by large scale and small scale cooperatives. Since this breakdown revealed only slight differences between marketing and purchasing cooperatives in either the small or large scale groups, the breakdown was eliminated from the tables that follow. Significant variations have been noted where applicable.

Preliminary tabulations also included a breakdown for the various commodity groups (cotton and oilseeds, dairy, forage crops, fruits and vegetables, grains, livestock, nuts, poultry and eggs, tobacco, wool, and miscellaneous groups). Because of the small number of replies in some of the smaller commodity groups, no analysis of associations according to commodities handled was attempted.

BYLAW QUALIFICATIONS FOR MEMBERSHIP

Active membership in the association is the primary bylaw qualification for membership on a cooperative's board of directors. Directors must be active members of the association in 99 percent of the 395 local marketing associations reporting and 92 percent of the 119 local purchasing associations reporting. Reports from large scale associations indicated that 98 percent of the 319 large scale marketing associations and 90 percent of the 69 large scale purchasing associations require their directors to be active members of the association.

As other qualifications in the bylaws were not fully reported by most associations, a complete report of all qualifications is not available. Additional qualifications, reported by some of the small scale and large scale associations, are that members must be:

- (1) A member of a general farm organization such as the Farm Bureau, Farmers Union, Grange. This qualification is much more prevalent among the purchasing associations.
- (2) A producer or grower.
- (3) Not engaged in or affiliated with any enterprise that is in competition with the association.
- (4) Not an employee of the association or any member association.

Qualifications reported only by some small scale associations were that a member must:

- (1) Deliver 100 percent of his products to the association.
- (2) Reside in the district from which elected.
- (3) Be a member of the association for at least a year.
- (4) Be a leader in the community.

Qualifications reported only by some large scale associations were as follows:

- (1) Must be a member of an affiliated association.
- (2) Must also be a member of the board of directors of a local member association.
- (3) Barred if holding any political office.

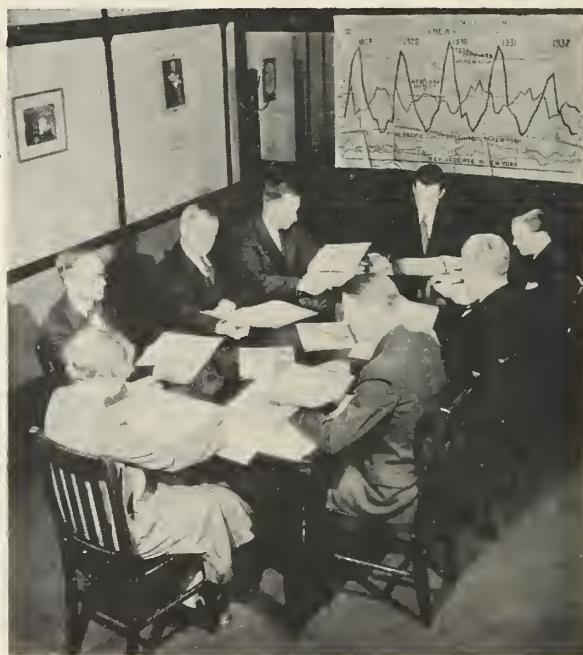
Many of the associations commented that more qualifications should be required for a person to serve on the board of directors. Most associations not requiring active membership in the cooperative as a qualification for the board recommended changing the bylaws to this effect. Several associations said that young men would serve as a "shot in the arm" to the board and indicated that age in selecting board member should be given more consideration. Repeatedly it was pointed out that younger and more aggressive men, open to new and improved steps in operation and management, would show more interest in the cooperative. It was recommended that retired farmers not serve on the board, and one association suggested that board members be limited to persons under 65 years of age.

Several associations pointed out that in the past personal friendship, affiliation with county programs, and other similar factors have had too much influence in selecting and electing directors. These associations recommended as an alternative, that, associations select men who believe in cooperative principles and who have an actual interest in their own cooperative.

Three of the associations recommended that members who feel qualified for the board volunteer and make a statement in writing of their own qualifications. These could be examined and investigated by a nominating committee before being presented to the members for their vote.

TRAINING BOARD MEMBERS

Cooperatives have been slow to adopt methods for developing prospective members of the board of directors. Many members, who have splendid qualifications for membership on the board of directors, are often unaware of the duties and responsibilities of this position. They are not acquainted with board procedure



Boards of directors are charged with full responsibility for the supervision and control of the business and affairs of cooperatives.

and know little or nothing concerning legal and financial matters, financial statements, or proper methods of conducting board meetings. One association summed up this regrettable lack of training on the part of its board members by stating that many of them seem to feel "Well, I did not ask for the job and besides I do not know what it is all about." Such a situation as this could be avoided if the associations took steps necessary to assist their directors, or prospective directors, to obtain a proper understanding of the job to be done and how to do it.

A solution found by some cooperatives in developing prospective members of the board of directors is through various training and participation programs as discussed in connection with table 2. In addition, to be a successful board member a director has to know his organization its facilities and be thoroughly acquainted with its operation. Also, if he is familiar with cooperative law and the distinctive features of the organization and operation of cooperatives he enhances his value to his cooperative.

Table 2. - Marketing and purchasing cooperatives using training programs for directors, 1949

Training programs	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Provided-----	17	3.1	16	3.9
NOT provided-----	537	96.9	392	96.1
Total-----	554	100.0	408	100.0

A wide variety of approaches to the training problem was reported. A statement of some of the plans will be helpful although no method of evaluating their effectiveness is available from this survey. Some of the programs reported by these associations are as follows:

SMALL SCALE ASSOCIATIONS:

- (1) The board chooses several younger members and asks them to attend meetings in order to become better acquainted with the operations of the association.
- (2) An advisory board, elected annually by members at meetings in each community, serves for one year. This board is the committee that selects nominees for the board of directors. These local boards meet four or more times each year in an advisory capacity to consider the major problems confronting the directors. Local advisory boards have no power or authority to make decisions, but the board of directors makes no major decisions without first discussing the matter with the local advisory boards, whose recommendations are submitted to the board of directors. Serving on advisory boards is valuable training for future service on boards of directors.

(3) Twice each year at least two additional men from the territory of each director are invited to a regular board meeting to discuss the association's problems.

(4) A stockholder's committee of three attends directors' meetings where they may take part in discussions but cannot vote.

(5) An advisory board made up of one member from each county which has 50 or more members.

(6) Have three "associate" directors who attend all meetings and take part in discussion, but have no vote.

(7) Five community directors are elected annually by the members in each of the 8 or 10 organized communities in each county. These community directors come in to county meetings each quarter where the management discusses problems affecting the association and its general operations. These men serve as a nominating committee for the main board.

(8) Each year the local Future Farmers of America organization picks six of their number to meet with the board. They have the same rights at the meeting as the regular board except that they cannot vote.

(9) An associate board of five members sit in on all directors meetings.

LARGE SCALE ASSOCIATIONS:

(1) A representative of each local cooperative is invited to attend each meeting.

(2) An advisory council composed of members of the association has been set up.

(3) A constructive training program on cooperative management is held each year for the association by the local Farm Bureau. There is one meeting each week for 5 weeks.

(4) Board members in practice are and always have been former members of the advisory council, and, therefore, are closely in touch with directors' problems.

(5) A youth program for cooperative education is maintained.

(6) Future director material is encouraged through the district advisory councils. Councils are each composed of twelve members, four being replaced each year in rotation, providing continuous experienced personnel. The councils work with directors on local district matters specifically and on organization problems of general interest.

(7) Membership is trained largely by committee work. The association also has a system of community directors who have no official capacity. However, prospective board members are usually selected from these groups.

(8) Advisory committees of 10 to 20 members have been set up. Occasional meetings are held with the general manager, sales manager, and other officials of the association to discuss policies and activities.

(9) Members of local associations attend board meetings to watch proceedings.

(10) An advisory board provides prospective directors.

(11) An advisory committee of Future Farmers of America members is in operation.

(12) The only general training for cooperative responsibility is through the Junior Farm Bureau.

(13) A junior board of three young men serve for 1 year each. They are nominated and elected by the membership.

(14) The association has four committees (public relations, fertilizer, tax and accounting, and lumber and container). One board member heads up each committee and the others are members who are not directors. These committees have no voting rights but serve as advisers to the board of directors. These committees are designed to furnish a nucleus for membership to select board members.

SELECTING NOMINEES FOR MEMBERSHIP ON THE BOARDS OF DIRECTORS

METHODS USED IN NOMINATING DIRECTORS

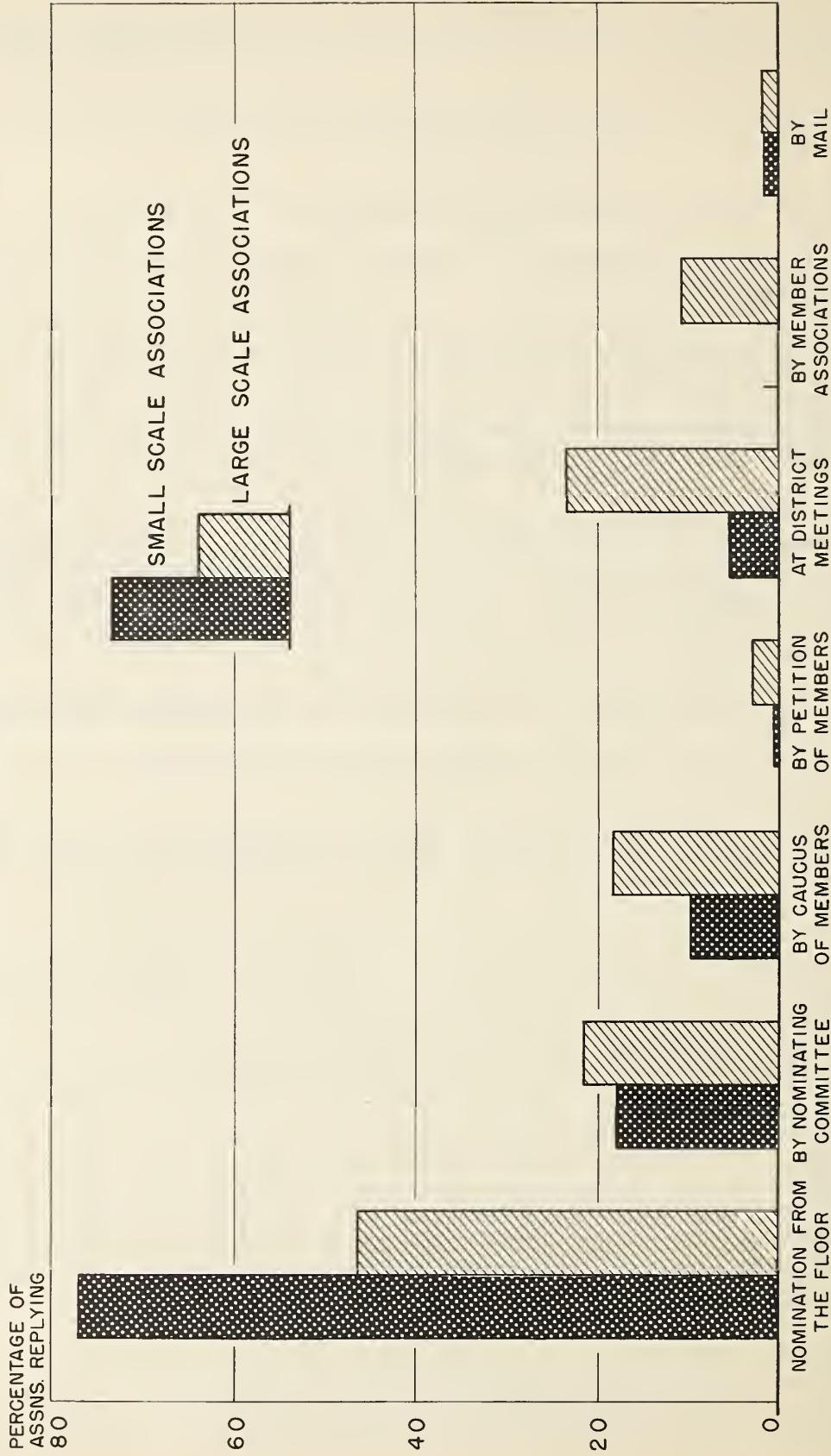
Procedures for nominating directors are usually specifically set forth in the bylaws. Associations receiving questionnaires were asked to reply to the question, "How are the directors of the association nominated?"

Nominating methods named include the following: by a nominating committee; from the floor; by caucus of members; by petition of members; at district meetings; and, by other methods. The form of the question resulted in some associations checking more than one method, that is, by nominating committee and nomination from the floor at the election meeting. About 12 percent of the small scale and about 25 percent of the large scale associations checked more than one method in their replies. In the case of associations stating only one method it was not possible to tell whether their replies indicated their primary method or whether it was their sole method. A single reply indicating use of a nominating committee or selection at a district meeting does not of itself rule out the possibility of making nominations from the floor at election meetings.

While the percentages of associations replying to the questionnaires are not equal in all groups (table 1), the range in percentages is close enough to consider the combined tabulation of replies, as being representative of the combined group of cooperatives. It possibly would have

FIGURE I

PRINCIPAL METHODS OF NOMINATING DIRECTORS USED BY SMALL
SCALE AND LARGE SCALE ASSOCIATIONS, 1949



NOTE: PERCENTAGES TOTAL MORE THAN 100 BECAUSE SOME ASSOCIATIONS USED MORE THAN ONE METHOD.

been desirable to break the large scale group into such classifications as federated, centralized, or bargaining associations. This analysis awaits further development. In the meantime, the tabulation stands primarily on a basis approaching a proportional representation of the total cooperative picture.

All replies to the question on methods used in nominating directors are shown in table 3. Because some associations gave more than one reply, the number of replies is larger than the number of reporting associations. The principal difference in nomination methods reported by small scale and large scale associations is in the use of methods involving district meetings or member associations. About one third of the large scale associations reported that directors were nominated at district meetings and by member associations. Otherwise, the differences are not significant.

Approximately 20 percent of the combined group of associations reported the use of a nominating committee in 1949. Another 7 percent of both groups of associations recommended that this method of nominating directors be adopted.

The use of nominating committees by small scale associations varies between cooperatives handling different commodities. Of the cotton associations 9 percent used nominating committees; dairy, 16 percent; fruits and vegetables, 20; forage crops, 17; grain, 15; livestock, 19; poultry, 31; and, wool, 30. For all small scale marketing associations

Table 3. - *Principal methods of nominating boards of directors reported by farmers' cooperatives, 1949*

Method	Small scale associations		Large scale associations	
	Number of replies ¹	Percentage of associations replying ¹	Number of replies ¹	Percentage of associations replying ¹
Nomination from the floor---	424	77.1	191	46.4
By nominating committee-----	98	17.9	89	21.6
By caucus of members-----	54	9.8	76	18.4
By petition of members-----	2	.4	12	2.9
At district meetings-----	30	5.5	97	23.5
By member associations-----	-	-	44	10.7
By mail-----	9	1.6	7	1.7
Total associations reporting-----	¹ 550	-	¹ 412	-

¹Number of replies is greater than number of associations reporting because some associations gave more than one reply. Percentages based on number of associations reporting total more than 100 for this reason.

17 percent used nominating committees with a somewhat higher percentage, 22, for small scale purchasing associations. Comparable percentages for large scale associations were: Cotton, 17; dairy, 20; fruits and vegetables, 28; grains, 14; livestock, 26; tobacco, 23; wool, 19; miscellaneous associations (including forage crops, nuts, miscellaneous marketing associations, and miscellaneous commodity associations), 13. Twenty-one percent of all large scale marketing associations replying to the questionnaire used nominating committees, while the similar figure for purchasing associations was 25 percent.

The particular advantage of a nominating committee which properly performs its duties is that a special committee, appointed in advance of the annual meeting, has time to consider and select the best possible candidates for a well-balanced and able board. Their qualifications can then be brought to the attention of the members through house organs or other methods before the election meetings. Some associations introduce the nominees to the members at the annual meeting. At the same time a statement is read giving each nominee's experience and qualifications for the job. In one cooperative, the association's attorney makes the presentations and reads the statements.

It appears desirable that at least two candidates be nominated for each vacancy. Otherwise the election meeting loses its significance for the membership, since, without a chance to choose, voting becomes a formality and the membership recognizes it as such. It is important when a nominating committee is used, that members should also have the opportunity to make additional nominations from the floor.

Nomination of all candidates from the floor is still the most popular method among small scale associations. When an association is limited in membership, such a democratic method has much in its favor. However, members of associations, spread out over large areas, often do not know each other personally, and consequently are not in a good position to know and judge each other's qualifications. In many instances, the larger associations have met this problem by dividing their territory into zones or districts and nominating their directors by districts at district meetings held prior to the annual meeting. These district nominations are often equivalent to election at the annual meeting. In their replies, some of the large scale associations which do not choose directors by districts and many of the larger local associations recommended that this nominating procedure be adopted. Several associations suggested that the entire membership area be divided into districts and that a nominating committee select nominees by districts so as to assure a better geographic representation.

Approximately 10 percent of the small scale associations and 18 percent of the large scale nominate directors by caucus of the members from a given territory. Caucuses are held at the time of the annual meeting by over 70 percent of the small scale associations reporting nomination by caucus.

The bylaws of only about 10 percent of the associations require a nominating committee for selecting nominees for membership on the boards of directors (table 4). The other 10 percent reporting the use of a nominating committee, as shown in table 3, use this method only occasionally or have adopted the method without making it compulsory under their bylaws.

Table 4. - *Nominating committee required by bylaws of farmers' cooperatives, 1949*

Nominating committees	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Required-----	57	10.3	37	9.4
Not required-----	499	89.7	357	90.6
Total-----	556	100.0	394	100.0

One association recommended a larger nominating committee. It suggested that two or three meetings of this committee be held prior to the nominating meeting to allow thorough screening of possible candidates. Other associations suggested that the nominating committee devote more time and study to selecting candidates. It was pointed out by several associations that candidates selected by a nominating committee are usually appointed because of business experience and qualifications and not merely personal friendship, which is sometimes the case when nominations are made from the floor.

An important question is: Who should choose the nominating committee? Replies in this survey indicate that the committee is appointed by the president of the association in 46 percent of the associations. The committee is named by the board of directors in about 45 percent of the small scale associations, but in only 23 percent of the large scale group (table 5). Other methods used by local associations in choosing nominating committees are: (1) nomination from the floor; (2) nomination and selection by member district associations; (3) election by members; (4) appointment by county agents; and (5) appointment by Farm Bureau committees. Other methods used by large scale associations are: (1) nomination and election by member associations; (2) appointment by president subject to approval of board; (3) suggested by board and appointed by the president; (4) appointed by advisory council; (5) appointed by delegates; (6) named by executive committee; (7) appointed by chairman of district meeting; (8) appointed by directors of County Farm Bureau; and (9) appointed by the chairman of stockholders meeting on motion from floor.

Table 5. - *Methods used in choosing committees for selecting nominees for directors of farmers' cooperatives, 1949*

Method	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Appointed by president of association-----	36	40.9	29	55.8
Named by the board of directors-----	40	45.5	12	23.1
Other-----	12	13.6	11	21.1
Total-----	88	100.0	52	100.0

TIME FOR APPOINTING NOMINATING COMMITTEES

Well over half of the associations covered by this study appoint their nominating committees before the annual meetings at which directors are elected (table 6). This allows time for the committee and the members to study qualifications of candidates. Many of the associations which are lagging behind in this respect commended that their procedure should be changed so that more time and study could be devoted not only to selecting the committee, but to selecting nominees by the committee.

Table 6. - *Time when committees are appointed for selecting nominees for directors of farmers' cooperatives, 1949*

When appointed	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
At annual meeting-----	23	31.1	15	41.7
Before annual meeting-----	51	68.9	21	58.3
Total-----	74	100.0	36	100.0

REPORTING NAMES AND QUALIFICATIONS TO THE MEMBERSHIP

Only about 40 percent of the associations using nominating committees report names and qualifications of nominees for the board of directors to the membership of the association before the election (table 7). Those associations reporting names and qualifications before the election meeting generally do so by mail. Some of the smaller associations rely on personal contact and several of the larger ones report that qualifications

Table 7. - Farmers' cooperatives using nominating committees and reporting names and qualifications of nominees for directors to the membership before the election compared to those who do not, 1949

Names and qualifications	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Reported before election meeting-----	37	39.4	20	42.6
Not reported before election meeting-----	57	60.6	27	57.4
Total-----	94	100.0	47	100.0



Methods permitting selection and consideration of candidates in advance of the election meeting have definite advantages. Here a nominating committee is shown discussing qualifications of prospective board members.

of candidates are discussed at district meetings at the time of nomination. Occasionally ballots with biographic information regarding each nominee are mailed to members before the election meeting. House organs are sometimes useful in introducing candidates. Names and qualifications are at times carried in local newspapers.

NUMBER OF NOMINEES FOR EACH BOARD VACANCY

Although 65 percent of the large scale cooperatives select only one nominee for each vacancy on the board of directors, all but

Table 8. - Number of nominees selected by nominating committees for each vacancy on the boards of directors of farmers' cooperatives, 1949

Number of nominees	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
1-----	25	29.8	42	64.6
2-----	48	57.1	18	27.7
3-----	11	13.1	4	6.2
5-----	-	-	1	1.5
Total-----	84	100.0	65	100.0

one of these allow additional nominations from the floor. In the case of this one association, the nomination is made by caucus at district meetings. Replies relating to number of nominees selected for each board vacancy were restricted because only those associations employing nominating committees were asked to reply to the question.

ADDITIONAL NOMINATIONS FROM THE FLOOR

All except nine of the associations allow additional nominations from the floor (table 9). Of these nine, nominees are appointed by a nominating committee in all locals and two large scale associations. The other four large scale associations allowing no additional nominations from the floor appoint their nominees as follows: (1) Appointed by delegates, by districts; (2) nominated by an advisory committee of five members each in each of seven districts; (3) nomination of one director by each member association prior to the annual meeting; and (4) nomination by an advisory council.

Table 9. - Farmers' cooperatives allowing additional nominations to be made from the floor, compared with those that do not, 1949

Nominations	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Allowed from the floor-----	95	96.9	76	92.7
Not allowed from the floor-----	3	3.1	6	7.3
Total-----	98	100.0	82	100.0

Of the 171 associations reporting additional nominations from the floor, all except seven make the nominations orally. These seven do so by secret ballot or by petition.

ELECTION OF BOARD MEMBERS

BASIS OF MEMBERSHIP VOTING

Table 10 shows the membership voting basis used in electing directors of farmers' marketing and purchasing associations as determined by the survey. Over 80 percent of the associations indicated that every member has one vote and one vote only, regardless of stock owned, volume of patronage, and productive units owned.

Other membership voting bases not reported separately in table 10 are:

- (1) One vote per marketing agreement--five marketing agreements in all.
- (2) Specified number of votes for each share of stock owned.



Directors are generally elected at the time of the annual meeting. Appetizing dinners, stimulating speakers, and good entertainment encourage attendance and attract new members.

Table 10. - *Membership voting basis in electing directors of farmers' cooperatives, 1949*

Voting basis	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
One-man one-vote-----	471	85.4	316	77.6
One vote per share of stock owned-----	61	11.1	51	12.6
Volume of patronage-----	6	1.1	13	3.2
One member association one vote-----	-	-	15	3.7
Productive units owned-----	2	.4	-	-
One-man one-vote plus extra votes according to volume of patronage or stock owned-----	3	.5	7	1.7
One vote per share of stock owned--but shares limited-----	3	.5	-	-
One vote per share of stock owned plus extra vote for being a patron or Farm Bureau member-----	3	.5	-	-
All other bases reported-----	3	.5	5	1.2
Total-----	552	100.0	407	100.0

- (3) One vote for each 100 active producers from each member association.
- (4) One vote per delegate for each 10 members.
- (5) One vote for every 500 or fraction thereof of paid-up members or stockholders.
- (6) Each member association has one vote for every 50 members.

VOTING METHODS USED

The membership votes by secret ballot in 73 percent of the associations. Other voting methods used and percentages are shown in table 11.

Table 11. - *Methods used by farmers' cooperatives in electing members to boards of directors, 1949*

Methods	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Secret ballot-----	444	83.5	230	59.3
Acclamation-----	84	15.8	103	26.6
Delegate system-----	-	-	41	10.6
Elected by member associations-----	-	-	13	3.4
Other methods-----	4	.7	1	.1
Total-----	532	100.0	388	100.0



The membership votes by secret ballot in 73 percent of the cooperatives.

METHODS OF CASTING BALLOTS

Ballots are cast either by direct voting, proxy voting, mail voting, delegate voting, or a combination of these methods. The associations were asked to report the percentage of ballots cast by each method. Of the 521 small scale associations responding, 427, or 82 percent, reported 100 percent direct voting, while only 13, or 2.5 percent, reported no direct voting. Of the 371 large scale associations responding, only 217 or 58 percent reported 100 percent direct voting, while 81, or 22 percent, reported no direct voting. Nine of the large scale associations reported 100 percent proxy voting; 16 reported 100 percent voting by mail; and 52 reported 100 percent delegate voting.



The members who have been elected to the board will be announced as soon as the ballots are counted.

Table 12 shows the four methods of casting ballots and the percentage of ballots cast by each method for the small scale and large scale associations in their 1949 elections. Percentages are shown from "0" to "100,"

Table 12. - Method of balloting and percentage of ballots cast by each method for directors of farmers' cooperatives, 1949

Percentage of ballots	Direct voting		Proxy voting		Mail voting		Delegate voting	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Small scale assns.								
100-----	427	82.0	-	-	9	1.7	-	-
80-99-----	31	5.9	3	.6	2	.4	-	-
60-79-----	18	3.4	5	1.0	1	.2	-	-
40-59-----	15	2.9	9	1.7	1	.2	-	-
20-39-----	12	2.3	16	3.1	2	.4	-	-
1-19-----	5	1.0	21	4.0	5	1.0	-	-
0-----	13	2.5	441	84.6	475	91.1	521	100.0
No answer----	-	-	26	5.0	26	5.0	-	-
Total small scale assns.	521	100.0	521	100.0	521	100.0	521	100.0
Large scale assns.								
100-----	217	58.5	9	2.4	16	4.3	52	14.0
80-99-----	15	4.0	3	.8	4	1.1	7	1.8
60-79-----	17	4.6	2	.5	2	.5	1	.3
40-59-----	5	1.4	5	1.4	4	1.1	-	-
20-39-----	11	3.0	15	4.1	3	.8	1	.3
1-19-----	10	2.7	9	2.4	3	.8	1	.3
0-----	81	21.8	298	80.3	315	84.9	287	77.4
No answer----	15	4.0	30	8.1	24	6.5	22	5.9
Total large scale assns.	371	100.0	371	100.0	371	100.0	371	100.0

and "no answer" is shown when a complete answer was not given, that is an association showing 50 percent proxy and 30 percent delegate voting has not shown how the other 20 percent of the votes were cast. Accordingly, a "no answer" was shown for this association in the direct voting and mail voting columns unless there was some indication that a particular method was not used.

PROXY VOTING

Proxy voting is permitted under the bylaws in 34 percent of the associations. The following percentages of small and large scale organizations permit proxy voting: Cotton, small scale, 22 percent, large scale, 44 percent; dairy, 21 and 22 percent; fruits and vegetables, 63 and 48 percent; grain, 38 and 54 percent; livestock, 11 and 32 percent; miscellaneous service, 25 and 29 percent; nuts, 0 and 40 percent; poultry, 23 and 0 percent; wool, 0 and 100 percent; tobacco, large scale, 33 percent; purchasing, 34 and 35 percent.

Table 13. - Farmers' cooperatives permitting proxy voting under association bylaws, 1949

Proxy voting	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Permitted-----	174	32.4	145	36.5
Not permitted-----	363	67.6	252	63.5
Total-----	537	100.0	397	100.0

However, not all of the 34 percent of the associations whose bylaws permit proxy voting actually use this method in voting for directors. In the 1949 elections for members of the boards of directors, only 10 percent of the small scale associations and 12 percent of the large scale associations reported any voting by proxy (table 12). Only 1 percent of the associations vote 100 percent by proxy, all of these being in the large scale group.

DELEGATE SYSTEM OF VOTING

Under the delegate system of voting members elect delegates either on a district or an association basis to represent them at annual meetings where directors are elected. Delegates may be instructed to vote for specific candidates or may be free to exercise their own judgment. A delegate system of voting is provided in the bylaws of 38 percent of the large scale associations (table 14). The 1949 election report indicates, however, that only 16 percent of the associations actually used this system that year (table 12). Less than 5 percent of the small scale associations provide a delegate system of voting under their bylaws, and none of the small scale associations used this system in 1949.



Delegates bring into play the cooperative principle of "one-man one-vote" as they express their approval of names put up for nomination as directors to represent their respective districts.

Of the 414 large scale associations replying to the questionnaire only 305 replied to the question relating to bylaw provision for a delegate system of voting. It is probable that most of the 109 associations not replying did not provide for this system of voting.

Table 14. - Farmers' cooperatives providing a delegate system of voting under the associations' bylaws, 1949

Delegate system of voting	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Provided-----	17	4.8	116	38.0
NOT provided-----	334	95.2	189	62.0
Total-----	351	100.0	305	100.0

The delegate system of voting is used more extensively by farmers' purchasing associations than by associations organized for marketing farm products. Whereas the bylaws of 51 percent of the large scale purchasing associations provide a delegate system of voting, only 35 percent of the large scale marketing group provide for this method.

The large scale marketing associations when grouped according to principal commodities handled did not show substantial variation from

the 35 percent average for the group. The number of commodity associations replying and the percentages of these associations providing for delegate system of voting were as follows:

Commodity	Associations	
	Number	Percent
Cotton-----	18	29
Dairy-----	137	32
Fruits and vegetables-----	9	21
Grain-----	13	50
Livestock-----	8	36
Poultry-----	3	50
Tobacco-----	3	38
Wool-----	5	50

This listing does not include groups of less than 12 associations as reported in table 1.

THE BOARD OF DIRECTORS SIZE OF BOARD

The number of board members of small scale associations ranges all the way from 3 to 36 members, but 83 percent had either five, seven, or nine members. The large scale associations have larger boards, ranging from 3 to 72 members. The boards of approximately one-half of the large scale associations have more than nine members. Of these larger boards, nine reported more than 36 members, each reporting a different number, as follows: 46, 47, 48, 49, 51, 53, 56, 70, and 72.

Table 15. - Number of directors of farmers' cooperatives, 1949

Number of directors	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
4 or less-----	3	.5	1	.3
5-----	171	31.0	36	8.8
6-----	22	3.9	13	3.2
7-----	203	36.8	65	15.9
8-----	6	1.1	17	4.1
9-----	84	15.2	78	19.0
10-----	8	1.5	16	3.9
11-----	17	3.1	33	8.1
12-----	12	2.2	29	7.1
13-----	6	1.1	14	3.4
14-----	2	.4	11	2.6
15-----	7	1.3	23	5.6
16-----	3	.5	14	3.4
17-----	-	-	5	1.2
18-----	2	.4	5	1.2
19-----	-	-	3	.7
20-----	-	-	4	1.0
21-----	-	-	9	2.2
22-----	1	.2	3	.7
23-----	-	-	5	1.2
24-----	1	.2	2	.5
25-----	-	-	1	.3
26-----	-	-	3	.7
27-----	1	.2	3	.7
28-----	-	-	1	.3
30-----	-	-	3	.7
32-----	-	-	3	.7
33-----	1	.2	-	-
34-----	-	-	1	.3
36-----	1	.2	-	-
More than 36-----	-	-	9	2.2
Total-----	551	100.0	410	100.0

ALTERNATE BOARD MEMBERS

The bylaws of less than 20 percent of the associations provide for the election of alternate directors (table 16). In the other cooperatives, when a director's seat becomes vacant between annual meetings due to death, resignation, or some other reason, a new director is appointed by the remaining board members in about 75 percent of the associations. Another 8 percent not providing for the election of alternate members leave the position vacant until the next membership meeting elects a successor. A special membership meeting is called by several of the associations to elect a new board member. Other methods reported by one or more of the associations included: (1) nomination by member associations and election by the board; (2) nomination by president plus approval by the board; (3) appointment by the president of the association; (4) election by the nominating committee and approval by the board; (5) nomination and election by advisory committee; (6) defeated candidate who received the next highest number of votes at the time other board members were elected automatically becomes a director.

Table 16. - Farmers' cooperatives whose bylaws provide for election of alternate members on boards of directors, 1949

Alternate board members	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Provided for-----	110	20.4	72	17.7
Not provided for-----	430	79.6	335	82.3
Total-----	540	100.0	407	100.0

Several of the associations not providing for the election of alternate board members commented that their bylaws should be revised to incorporate this procedure.

TERM OF OFFICE

Directors are generally elected for 1, 2, or 3-year terms (table 17). Several of the associations indicated that some of their directors are elected for 1-year terms, some for 2-year terms, and others for 3-year terms. In such cases, this method of staggering the terms is used to rotate directors so that the board is always made up of both new and old members. A few associations reported that directors are elected for an indefinite period.

Table 17. - *Term of office for directors of farmers' cooperatives, 1949*

Term of office for directors	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
1 year-----	107	20.3	139	34.8
2 years-----	80	15.2	56	14.0
3 years-----	302	57.3	197	49.4
More than 3 years-----	10	1.9	2	.5
Varied or unlimited term----	28	5.3	5	1.3
Total-----	527	100.0	399	100.0

ROTATION AND LIMIT ON CONTINUOUS SERVICE

Recommendations, submitted by the associations for improving their methods of selecting and electing directors, indicate that many of the associations are not satisfied with either their present methods of rotating board members or the limit set on continuous service. Thirty-three small scale associations and 20 large scale associations commented that some system of rotation is needed to bring new members to the board. Many of the associations reported difficulty in attracting younger men. They regarded a blending of youth with the experience and wisdom of long years of service as desirable.

Some associations reported that they had found an answer to these problems. Directors' terms under their bylaws are staggered and a director's retirement becomes automatic at the end of a limited number of successive terms. Therefore, there are always some new and some experienced directors on the board. Outstanding men need not be lost, because they are eligible for reelection after remaining off the board for a year or a term. At the same time, since retirement from the board is automatic with this system, others can be retired gracefully.

However, the bylaws of only about 10 percent of the small scale associations and 5 percent of the large scale associations limit the period of service of directors. The majority of these associations limit continuous service of directors to one, two, or three consecutive terms.

FIGURE 2
LIMITATION OF CONTINUOUS SERVICE BY DIRECTORS
OF FARMERS' MARKETING AND PURCHASING
ASSOCIATIONS, 1949

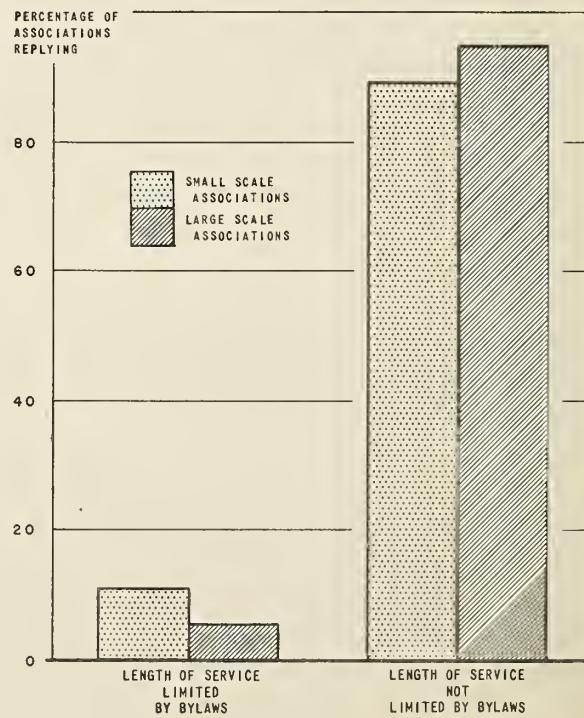


Table 18. - *Limitation of continuous service by directors of farmers' cooperatives, 1949*

Limitation on directors' length of service	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Limited by bylaws-----	56	10.9	20	5.1
Not limited by bylaws-----	456	89.1	371	94.9
Total-----	512	100.0	391	100.0

MEETINGS OF BOARD OF DIRECTORS

FREQUENCY OF MEETINGS

Table 19 shows the frequency of regular meetings of the boards of directors of these associations. Monthly meetings are most popular, favored by 73 percent of the small scale associations and 50 percent of the large scale group. As shown in table 19 approximately 7 percent of the associations reported that board meetings are not held regularly, but are subject to call, at which time directors are notified of the time, place, and purpose of the meeting.

Table 19. - *Frequency of regular meetings of the boards of directors of farmers' cooperatives, 1949*

Frequency of board meetings	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Twice or more a month-----	19	3.4	14	3.4
Monthly-----	402	72.8	205	50.4
Bimonthly-----	16	2.9	21	5.2
Quarterly-----	60	11.0	99	24.3
Semi-annually-----	13	2.3	15	3.7
Annually-----	13	2.3	16	3.9
On call or irregular-----	29	5.3	37	9.1
Total-----	552	100.0	407	100.0

The small scale purchasing associations hold board meetings much more frequently and regularly than small scale marketing associations. Eighty-one percent of the small scale purchasing associations reported monthly meetings and only 3 percent reported meetings held less often than every 3 months. This compares with 70 percent of the small scale marketing associations reporting monthly meetings and 12 percent reporting meetings held less often than quarterly.

However, 53 percent of the large scale marketing associations hold monthly board meetings, compared with only 39 percent of the large scale purchasing group. Much of this difference is accounted for by quarterly meetings. They are used by 33 percent of the purchasing group compared with 22 percent of the marketing group. More in line with small scale associations, 10 percent of the large scale marketing associations reported irregular meetings as compared with 4 percent of the large scale purchasing group.

NUMBER OF DIRECTORS NEEDED FOR A QUORUM

Eighty-five percent of the associations reported that a majority of the directors must be present in order to constitute a quorum for transacting business (table 20).

Table 20. - *Number of directors constituting a quorum for transacting business of farmers' cooperatives, 1949*

Directors needed for a quorum	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Less than majority-----	10	1.9	30	7.3
Majority-----	461	86.8	347	84.6
More than majority-----	60	11.3	33	8.1
Total-----	531	100.0	410	100.0

WHO ATTENDS MEETINGS

Board of directors meetings are often attended by members or employees of the associations, but in varying degrees (table 21). Any member with a special interest or knowledge in certain aspects of the association's business may be asked by the board to attend to acquaint the board with his views or suggestions. On the other hand, a member may request permission of the board to attend to ask questions regarding a problem to be discussed. The associations often ask that executive employees be present at board meetings to present financial reports or management problems or to give opinions. Several associations holding open meetings reported that neither members nor employees are allowed to attend executive sessions.

Table 21. - *Policies of farmers' cooperatives relative to attendance of members or employees of the association at meetings of the boards of directors, 1949*

Policy as to who may attend board meetings	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Wide open to members and employees-----	204	39.8	60	21.7
Open to members only-----	33	6.4	25	9.1
Open to employees only-----	7	1.4	-	-
Open to members and employees on request-----	10	1.9	16	5.8
Open only to specified persons-----	32	6.3	33	12.0
Members or employees with particular interest in problems to be discussed may obtain board's permission to attend to ask questions or offer suggestions-----	96	18.7	41	14.8
Total associations with board meetings open or partially open-----	382	74.5	175	63.4
Total associations with board meetings closed to members and employees except on invitation-----	131	25.5	101	36.6
Total-----	513	100.0	276	100.0

COMPENSATION OF DIRECTORS

COMPENSATION FOR ATTENDANCE AT MEETINGS

Directors of 86 percent of the associations are paid for attending meetings (table 22). Not only do more of the large scale associations compensate directors than the small scale associations, but the rate of compensation is also higher for the large scale group. Most directors of the large scale associations, however, have to travel longer distances to attend meetings, and usually have to spend more time away from personal business.

Table 22. - *Farmers' cooperatives compensating directors for attendance at meetings, 1949*

Compensation for directors	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Compensated-----	455	82.4	370	90.0
NOT compensated-----	97	17.6	41	10.0
Total-----	552	100.0	411	100.0

Directors are most frequently paid on a per diem basis, or per diem plus expenses, but some of the associations, mostly locals, arrange for the directors to receive a stated amount per meeting or per year. Approximately 7 percent of the associations compensating directors allow only actual and necessary expenses incurred. Expenses usually include travel expense, ranging from 4 to 10 cents per mile, hotel expense, and meals. Table 23 shows the various bases used in compensating directors for attending board meetings of both small scale and large scale associations.

Table 23. - *Method of compensating directors for attendance at board meetings of farmers' cooperatives, 1949*

Method and amount of compensation	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Per diem:				
\$5.00 or less-----	128	28.7	25	6.9
6.00-----	2	.5	2	.6
7.50-----	3	.7	-	
10.00-----	10	2.2	13	3.6
13.00-----	1	.2	-	
15.00-----	1	.2	-	
20.00-----	-		2	.6
Amount of per diem not shown-----	19	4.3	5	1.3
Per diem plus expenses:				
\$5.00 or less-----	119	26.7	74	20.4
6.00-----	5	1.1	10	2.7
7.00-----	3	.7	8	2.2
7.50-----	-		7	1.9
8.00-----	4	.9	11	3.0
8.50-----	-		1	.3
9.00-----	-		1	.3
10.00-----	7	1.6	96	26.5
12.00-----	2	.5	2	.6
12.50-----	-		2	.6
15.00-----	1	.2	21	5.8
16.00-----	-		3	.8
20.00-----	-		9	2.5
25.00-----	-		3	.8
Amount of per diem not shown-----	9	2.0	26	7.2
Per meeting:				
\$5.00 or less-----	49	11.0	3	.8
10.00-----	1	.2	2	.6
15.00-----	1	.2	-	
Amount per meeting not shown-----	5	1.1	-	
Per meeting plus expenses:				
\$5.00 or less-----	28	6.3	4	1.1
6.00-----	-		1	.3
7.00-----	1	.2	2	.6
10.00-----	-		3	.8
Per year:				
\$5.00-----	1	.2	-	
10.00-----	-		1	.3
24.00-----	1	.2	-	
25.00-----	3	.7	-	
36.00-----	1	.2	-	
50.00-----	4	.9	-	
100.00-----	1	.2	-	
Per year plus expenses:				
\$20.00-----	1	.2	-	
25.00-----	2	.5	-	
27.50-----	1	.2	-	
40.00-----	1	.2	-	
60.00-----	2	.5	-	
Only expenses paid:	29	6.5	25	6.9
Total-----	446	100.0	362	100.0

The board of directors in some associations determines the schedule of payments to directors for attendance at meetings. In others it is set by the votes of the members and sometimes is fixed by the bylaws. Table 24 shows who determines the directors' rate of compensation for attendance at meetings in the small scale and large scale associations.

Table 24. - Who determines rate of compensation for directors of farmers' cooperatives for attending board meetings, 1949

Who determines directors' compensation	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Board of directors-----	229	47.9	229	60.1
Membership-----	249	52.1	152	39.9
Total-----	478	100.0	381	100.0

COMPENSATION FOR PART-TIME SERVICES

Approximately 45 percent of the associations compensate directors for part time services other than for attendance at directors' or committee meetings. This policy is also more prevalent among the large scale associations (table 25).

Table 25. - Farmers' cooperatives compensating directors for part time services other than for attendance at directors' or committee meetings, 1949

Directors' compensated for other service	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Compensated for part time services-----	218	40.9	211	52.2
Not compensated for part time services-----	315	59.1	193	47.8
Total-----	533	100.0	404	100.0

About 60 percent of the associations compensating directors for part-time services, other than for attending directors' or committee meetings, pay the directors only for time spent performing specific duties or responsibilities assigned or approved by the board of directors. Nineteen associations reported that directors could be paid for such services only for a limited number of days each year--some allowing payment for only 15 days, some 20, and some 30. Three associations limit the actual dollar amount directors are allowed for such services each year--two associations allowing \$30 and one up to \$500.

Other explanations given by the associations that pay directors for part-time services other than for attending directors' or committee meetings are:

- (1) Attending other meetings (reported by 17 small scale and 24 large scale associations).
- (2) Time spent on association business (reported by 9 small scale and 30 large scale associations).
- (3) Time spent as any other part-time employee of the association for performing marketing services, working in the plant or office, or performing other duties required of them in the field (reported by 9 small scale and 8 large scale associations).
- (4) Expenses incurred while performing part-time services (reported by 7 small scale associations).
- (5) Actual expenses in performing part time services and per diem (reported by 6 large scale associations).
- (6) While compensation for part-time services is allowed, it is usually neither requested nor paid (reported by 14 small scale and 15 large scale associations).

DIRECTORS AS FULL-TIME EMPLOYEES

Approximately 11 percent of the associations report that one or more board members act as full time employees of the association (see table 26). Directors of 109 associations act as full time employees of associations, 22 cooperatives have two of their directors as full-time employees, 8 have three full-time employees, 3 have four full-time employees, and 1 association has five directors acting as full-time

Table 26. - *Farmers' cooperatives with directors acting as full-time employees of the association, 1949*

Board members as employees	Small scale associations		Large scale associations	
	Number	Percent	Number	Percent
Acting as full-time employees-----	54	9.9	55	13.5
Not acting as full-time employees-----	494	90.1	352	86.5
Total-----	548	100.0	407	100.0

employees of the association. Specific positions held and number of associations reporting each position were:

Position	Small scale	Large scale
Secretary, treasurer, or secretary-treasurer-----	23	22
General manager-----	15	16
President-----	9	25
Laborer-----	6	-
Fieldman-----	4	3
Vice-president-----	2	7
Plant manager-----	2	1
Bookkeeper-----	2	-
Division manager-----	-	2
Assistant manager-----	1	1
Assistant sales manager-----	-	1
Sales manager-----	1	-
Warehouse manager-----	-	1
Superintendent-----	1	-
District superintendent-----	-	1
District plant superintendent-----	-	1
Manager of local association-----	-	1
Route salesman-----	1	-
Board clerk-----	1	-
Purchasing agent-----	1	-
Checker on contractor performance-----	-	1

Several of the associations with directors acting as full-time employees considered this practice unhealthy for the associations and stated that it should be prohibited by the bylaws.

CONCLUSIONS

One of the most important rights and duties of members of a cooperative, if not the most important, is selecting capable directors. The board, by law, is vested with the responsibilities for managing the affairs of an association. Its member-owners should be certain that methods of selecting and electing directors enable them to pick the best available directors.

There is no one best method of selecting directors. Nominating from the floor in a small, local association where all members know each other may be adequate. Large centralized regionals, operating over a wide area and with a large membership, find other methods advisable. A method frequently used is for the members to select directors by communities or districts.

In both small and large associations, however, methods which will permit selection and consideration of candidates before the election meeting have definite advantages. A nominating committee is the usual means of meeting this need. Less than 18 percent of the small associations and less than 22 percent of the large associations use this method. Of

those using nominating committees, only 39 percent of the small and only 43 percent of the large-scale associations give the names and qualifications of nominees to the membership prior to the annual meeting. Thus, in almost two-thirds of the small scale associations and in over half of the large-scale organizations, members have no opportunity for considering the merits of the candidates before the election meeting unless they know the nominees' experience and capabilities from sources other than information released by the nominating committees.

Associations using nominating committees are not doing as well as they could in giving advance information to membership regarding candidates. In only 70 percent of the small scale associations and in 58 percent of the large scale organizations the nominating committees are appointed in advance of the election meeting.

Over 70 percent of the small scale associations using nominating committees select 2 or more nominees for each board vacancy. Although the similar percentage in large scale associations is only 35 this figure is not directly comparable with the 70 percent for small associations. This difference is partially the result of large scale associations using district and member association meetings to nominate directors. At least 50 percent of the large scale associations use these and other methods which permit consideration of candidates before the annual meeting.

Although nominating committees are required by association bylaws in only 10 percent of the small scale and in 9 percent of the large scale associations, the method is actually used in 18 percent of the small and 22 percent of the large scale associations. This indicates that cooperatives recognize a need for improving methods of selecting candidates which was probably not foreseen or was at least unexpressed at the time the bylaws were drawn.

The use of the one-man one-vote principle is a fundamental cooperative concept. This principle is followed in electing directors in 85 percent of the small scale and in 81 percent of the large scale organization.

The secret ballot is used in electing directors by 84 percent of the small scale and 59 percent of the large scale associations. To this latter percentage should be added percentages for delegate and member associations elections which gives a total of 73 percent for secret ballot plus instructed or previously elected directors. Most of the associations in both groups have thus recognized the merits of maintaining secrecy of the ballot when electing directors.

Some people believe proxy voting for directors is not advisable in cooperatives. Cooperatives appear to hold this point of view to a rather high degree. Although bylaws in 32 percent of the small and in 36 percent of the large scale associations permit proxy voting, actually only 10 percent of the small and 12 percent of the large scale associations actually reported proxy voting.

In the structure of boards of directors, a large number of directors may bring about difficulties in board techniques and operation. Cooperatives lean toward smaller boards. In 88 percent of the small and in 51 percent of the large scale associations, boards are limited to less than 10 directors.

Only a limited number of cooperatives provide for alternate members on boards of directors, selected and prepared to serve in the event of vacancies. Only 20 percent of the small and 18 percent of the large scale associations provide for this contingency.

Most cooperatives recognize the fact that it takes time for a board member to grow into his job. In small scale associations about 60 percent of the directors are elected for terms of 3 years or more. The similar figure for large scale associations is 50 percent. The length of continuous service as a director is limited in only 11 percent of the small scale and in but 5 percent of the large scale. Automatic rotation of membership has not been accepted by any significant percentage of associations but many associations recognize the need for enlisting new blood on their boards of directors. Members of cooperatives have relinquished their right to determine rates of compensation to directors for attendance at board meetings to a substantial degree. Boards determine their own rates of compensation in 48 percent of small and in 60 percent of the large scale associations.

One or more board members act as full-time employees in almost 10 percent of the small and 14 percent of the large scale associations. Several associations, with directors acting as full-time employees, commented that this practice is unhealthy for the associations and should be prohibited by the bylaws.

The 20 percent of the associations which provide for alternate members to serve on boards of directors are giving these members valuable training as possible directors. About 4 percent of both small and large scale associations provide a definite training program to develop interest and understanding on the part of some of the members of board procedures and responsibilities. No single method is dominant. A wide variety of plans is in operation but the number reported is strikingly small.

